Delaware Health Resources Board Meeting Minutes Thursday, January 25, 2018 2:30 PM Delaware Technical Community College (Deltech Terry Campus) Corporate Training Center Rooms 400A and B 100 Campus Drive Dover, Delaware 19901

Board Members Present: Chair Brett Fallon, Leighann Hinkle, Mark Thompson, Ted Becker, Yrene Waldron, Julia O'Hanlon, Carolyn Morris, Michael Hackendorn, John Walsh and Nick Moriello

Board Members Absent: Lynn Fahey, Vincent Lobo, D.O., Dennis Klima

Staff Present: Latoya Wright, Ann Kempski and Joanna Suder

Call to Order and Welcome:

Chair Brett Fallon welcomed the Board members and called the meeting to order at 2:32 p.m.

Action

November 16, 2017 Meeting Minutes

The meeting minutes were reviewed. Ted Becker made a motion to approve the minutes. Nick Moriello seconded the motion; there was a voice vote, two abstentions, no opposing. Motion carried.

The Birth Center Holistic Women's Health Care (The Birth Center) Certificate of Public Review (CPR) application

The Chair of the Review Committee reviewed the seven criteria with the Board summarizing the Review Committee's findings.

Criterion I: The relationship of the proposal to the Health Resources Management Plan.

The applicant states that birth center charges are significantly less than hospital costs. The closest birth center is Lifecycle WomanCare in Bryn Mawr, PA. The Birth Center often receive clients from their area when they reach capacity. The Birth Center is the only freestanding birth center in the state. They note that they are currently expanding. The subcommittee, and the Board, considered that the Birth Center has shown a 35-year commitment to serving women from adolescence through menopause. The Birth Center has a contract with Medicaid and sees many patients with Medicaid. Additionally, individuals with Medicaid can take classes at the Birth Center that are covered.

Action

There was a motion to approve the Review Committee's recommendation that the application met criterion I. There was a voice vote, with all voting in favor, no abstentions, no opposing. Motion carried.

Criterion II: The need of the population for the proposed project.

The Birth Center is the only freestanding birth center in Delaware. The Birth Center provides care and education for women from Delaware, Pennsylvania, New Jersey and Maryland. The current owners bought the Birth Center in 1999. Upon their retirement, the business will no longer be able to operate in the existing location because the building is not up to code and has been grandfathered in for purposes of licensing and accreditation. Their population is diverse and ranges in scope from patients having commercial insurance and Medicaid. The application notes that there are no other birth centers in the immediate area. The Birth Center has reached capacity for classes, lactation visits and office visits. There is a growing trend towards birth centers in the U.S. The application also asserts to the millennial generation and their participatory in their health and well-being.

Action

There was a motion to approve the Review Committee's recommendation that the application met criterion II. There was a voice vote, with all voting in favor, no abstentions, no opposing. Motion carried.

Criterion III: The availability of less costly and/or more effective alternatives to the proposal, including alternatives involving the use of resources located outside the State of Delaware.

The applicant states that birth center charges are significantly less than hospital costs. The closest birth center is Lifecycle WomanCare in Bryn Mawr, PA. The Birth Center often receive clients from their area when they reach capacity. The Birth Center is the only freestanding birth center in the state. They note that they are currently expanding. The Review Committee discussed the costs of health care and the cost of birth centers being significantly less than hospital costs. It was mentioned that the state's current benchmark goals are to reduce health care costs and this proposal meets this aspect.

Action

There was a motion to approve the Review Committee's recommendation that the application met criterion III. There was a voice vote, with all voting in favor, no abstentions, no opposing. Motion carried.

Criterion IV: The relationship of the proposal to the existing health care delivery system.

The Birth Center have been part of Delaware's maternity care world for 35 years and have always worked within the established healthcare system. They are an accredited birth center and have a broad base of support from several OB/GYN groups for consultation and transfer of care. The Birth Center have contracts with all the major insurers in the area, including both Medicaid plans.

Since they are an existing practice, they do not foresee a significant impact on other healthcare providers. They do not anticipate a significant impact on Christiana Hospital as they serve a very small section of the population. The Birth Center have approximately 225 births per year in their facility as compared to more than 6,000 at Christiana Hospital.

The Birth Center presently refer their clients to Brandywine OB/GYN, Greenville OB/GYN, First State Women's Health Care (in addition to a couple of doctors in solo practice), Maternal Fetal Medicine and Christiana Healthcare System. In the event of a rare emergency, patients are transferred to St. Francis Hospital. (In the new location, the Birth Center would exclusively transfer to Christiana Hospital).

Action

There was a motion to approve the Review Committee's recommendation that the application met criterion IV. There was a voice vote, with all voting in favor, no abstentions, no opposing. Motion carried.

Criterion V: The immediate and long-term viability of the proposal in terms of the applicant's access to financial. Management and other necessary resources.

The proposed location is 620 Churchmans Road. This area is experiencing growth. The new location will be in close proximity to the I-95 entrance and exit. It is expected that the Birth Center will continue to experience growth in the new location. The Birth Center is currently working with their accountants for viability and planning purposes. The application notes that the maximum cost of the relocation will be \$40,000, which will be financed by cash. The Birth Center included a copy of their business plan in the application. The business plan includes a company synopsis, pricing, revenue and industry analysis data. The Birth Center successfully reached annual revenues of over \$1,600,000 last year. The Birth Center is independently owned and has been in operation since 1999. They continue to provide value base health care at a high quality low cost.

Action

There was a motion to approve the Review Committee's recommendation that the application met criterion V. There was a voice vote, with all voting in favor, no abstentions, no opposing. Motion carried.

Criterion VI. The anticipated effect of the proposal on the cost of and charges for healthcare.

While there is an estimated effect on annual expenses and revenue, there is no anticipated increase to individual charges for healthcare. The Board and the subcommittee also discussed the cost benefits of birth center births over hospital births, which falls in line with the State's goal of lowering healthcare costs. The Birth Center states they are cost effective. The cost of delivering a baby at the Birth Center is a third of the cost of delivering a baby at the hospital. For low risk women, this option is a cost savings to the health care system. The Birth Center accepts all insurance benefits. If a patient's Medicaid is pending, they still begin the prenatal care progress in order to decrease infant morbidity and mortality.

Action

There was a motion to approve the Review Committee's recommendation that the application met criterion VI. There was a voice vote, with all voting in favor, no abstentions, no opposing. Motion carried.

Criterion VII: <u>The anticipated effect of the proposal on the quality of health care.</u>
The Birth Center is committed to continue to provide families with quality care. They have convened a task force to assist with identifying what aspects of the Birth Center families enjoy and what can be improved. Families also complete evaluations in which the evaluations are

reviewed and adjustments are needed when necessary. The Birth Center is accredited by the Joint Commission on the Accreditation of Healthcare Organizations and by the Commission for Accreditation of Birth Centers (CABC). The Birth Center is a birth center focusing on alternative and integrative medicine with a traditional approach. They strongly believe their approach is key to improving public health indices and reducing care-related costs, ensuring a better health care for women.

Action

There was a motion to approve the Review Committee's recommendation that the application met criterion VII. There was a voice vote, with all voting in favor, no abstentions, no opposing. Motion carried.

Action

There was a motion to approve the Review Committee's recommendation to approve the application submitted by The Birth Center to relocate their birth center. There was a voice vote, with all voting in favor, no abstentions, no opposing. Motion carried.

<u>Christiana Care Eugene duPont Preventative Medicine and Rehabilitation Institute (PMRI and Health Care Center (HCCC) CPR applications</u>

The Chair of the Review Committee reviewed the seven criteria with the Board summarizing the Review Committee's findings.

Criterion I: The relationship of the proposal to the Health Resources Management Plan.

Principle 1: Applications should demonstrate consideration of access, cost, and quality of care issues: The proposals will provide convenient access to primary care and the specialty services offered in this location. By having primary care and specialty services centrally located, patients visiting their primary care provider will be able to visit their cardiologist, neurologist or women's health provider as well. This avoids patient making multiple trips to different facilities.

Christiana Care always strives for the highest quality of care and they are anticipating an improvement in quality with these proposals. Having their providers physically located in the same facility will allow for integration of services to enable the best patient care. For example, Christiana Care will be integrating the existing nutrition services into the relocated primary care practice. This will give their primary care patients the ability to speak with a dietitian regarding nutrition health during their primary care visit to allow for well-rounded care. Christiana Care asserts the proposals will not affect the cost of healthcare.

Principle 2: Applicants are expected to contribute to the care of the medically indigent: Christiana Care provides services regardless of ability to pay and provided in excess of \$10.6 million in indigent care in FY16.

Principle 3: Projects should support a managed, coordinated approach to service healthcare needs: Consolidating outpatient physician offices into a centrally located building

eliminates silos and allows for integration of services. Having their providers physically located in the same facility will allow collaboration and enable the best patient care. For example, the cardiologist and primary care physician will be able to coordinate care for the patient and discuss the best options for that particular patient and his or her needs.

Principle 4: Availability of out-of-state resources: Not applicable

Principle 5: Discourage incentives for over-utilization: Not applicable

Principle 6: Projects enhancing meaningful markets are to be encouraged: Christiana Care will not be adding additional services or expanding existing services, therefore, they assert the proposals will not affect the competitive landscape in the community. Outpatient services are already competitive and the proposals will continue to enhance meaningful markets. There are other existing medical services in the community providing similar services and the proposals will continue to foster competition.

Principle 7: Projects improving the health status of Delawareans are essential: Many other healthcare systems throughout the country are moving towards this approach to healthcare because it benefits the patients. Christiana Care's investment in the proposals demonstrates their commitment to bettering healthcare for Delaware residents and keeps up with current standards of care for the community. The new healthcare model allows for improved health through care coordination, enhanced collaboration, and improved access.

The Review Committee discussed the concerns of both proposals as it pertains to the consolidation of the physician offices. Also, the overall increase of the cost of health care for the State of Delaware (SOD) Group Health Insurance Plan (GHIP) and to its members. Consolidating the physician's practices into one building will ultimately increase costs due to the co-location of the physician offices and lab radiology services. Hospital owned labs and radiology services are more costly than freestanding (non-hospital owned) facilities. Effective July 1, 2018, there will be higher out of pocket copays for GHIP members. These members of the GHIP currently have an incentive (lower copay) for utilizing freestanding non-hospital based facilities for high tech radiology (PT, MRI). Christiana Care's lab utilization is listed below.

Action

There was a motion to vote on criterion I. There was a voice vote, with seven voting in favor, no abstentions, two opposing. Motion carried.

Criterion II: The need of the population for the proposed project.

The application states, there is a need to provide Christiana Care's communities with a one-stop shop approach to healthcare, where multiple services are combined into one facility. Bringing one stop shopping to the community improves the continuity of care, patient experience, access to care, and eliminates waste. Currently there are no other providers in the community providing this approach and the majority of community providers are private practices. As a healthcare system, Christiana Care is just starting to facilitate this new model of care.

As the population ages, it will become harder for patients to travel to their doctor's appointments and transportation. Traveling to appointments requires more logistical planning. These one-stop shop ambulatory centers allow for easier access and patients can make just one trip to see multiple providers. Additionally, the PMRI facility is also in a convenient location, on a bus route, allowing for people in the city of Wilmington and surrounding areas to visit the site. Christiana Care's primary service area, based on patient origin analysis is New Castle, County.

By consolidating the physician offices into one building, patients can avoid making additional doctor appointments and can see a physician in the same building. The Review Committee discussed the consolidation of physician offices contributing to the continuity of care as well as improving the quality of care by consolidating services into a "one stop shop", however it was discussed, the increasing costs to the SOD GHIP is a concern.

Action

There was a motion to vote on criterion II. There was a voice vote, with seven voting in favor, no abstentions, two opposing. Motion carried.

Criterion III: The availability of less costly and/or more effective alternatives to the proposal, including alternatives involving the use of resources located outside the State of Delaware. For primary care, there are essentially no other providers in the immediate area of the PMRI building. The closest primary care provider is a few miles away, towards the city of Wilmington. Some of the community-based providers in this area have started to provide a concierge model of practice. Christiana Care is the only provider in this community for cardiac and pulmonary rehabilitation. In terms of cardiology and women's health, there are a very small number of private practices in the surrounding community. However, none of these private practices offers multidisciplinary services to their patients and PMRI would be the only option for an ambulatory center in the surrounding area. Christiana Care states there would be no impact on other providers because these services already exist and are already highly utilized.

As this criterion relates to the HCCC facility, essentially no other neurology providers, but there are other cardiology and primary care private practices. However, none of the private practices has a multi-disciplinary practice to care for the patient, and HCCC would be the only option for an ambulatory center for the immediate surrounding area. The proposed renovations and consolidations would not affect other providers in the community because these services already exist and are already highly utilized. These proposals are not intended to grow Christiana Care's outpatient services. Christiana Care asserts the provision of service would cost the same to the insured patient regardless of the provider.

The Review Committee discussed perhaps Christiana Care's cost may remain the same, however due to the utilization of services; cost to the health plan may increase.

Action

There was a motion to vote on criterion III. There was a voice vote, with seven voting in favor, no abstentions, two opposing. Motion carried.

Criterion IV: The relationship of the proposal to the existing health care delivery system. Christiana Care is a regional provider that serves the emergency, inpatient, outpatient care and general medical needs of its patients. This will not affect the existing providers in the market because it is not a growth strategy as we are only consolidating multiple facilities to meet the current standards of care. There will be no change to the continuity of care and patient referral patterns will remain the same. Patients always have a choice of providers. For example, if a patient needs to see a cardiologist, Christiana Care will provide them with a list of all the cardiologists in the community, but ultimately it is the patient's decision. Insurance coverage also plays a role in the decision.

The Review Committee agreed that even though patients have a choice in selecting a provider, however it is more likely that a patient will go to the lab at Christiana Care if a physician request lab work because the lab is right down the hall for the patient's convenience.

Action

There was a motion to vote on criterion IV. There was a voice vote, with seven voting in favor, one abstaining, one opposing. Motion carried.

Criterion V: The immediate and long-term viability of the proposal in terms of the applicant's access to financial, management and other necessary resources.

Christiana Care continually strives to be a great place to work by appealing to a diverse employee population, offering competitive pay and flexible scheduling options for Work Life Balance programs. Christiana has 11,308 employees and 1,379 volunteers that contributed 78,901 volunteer hours. With turnover and vacancy rates lower than the national average, and an average length of service of 11 years, Christiana Care has been able to attract and retain the health manpower needed.

Action

There was a motion to vote on criterion V. There was a voice vote, with nine voting in favor, no abstentions, no opposing. Motion carried.

Criterion VI: The anticipated effect of the proposal on the costs of and charges of healthcare. In the first full year of operation, the PMRI and HCCC will increase Christiana Care Health System operating revenues and expenses by \$0 and \$ (69,874) and \$ (295,602) respectively.

The projected first year operating revenue reflects patient volume remaining the same for the services, current governmental reimbursement, existing contracts with private payers, and continued provisions of uncompensated care. The Review Committee discussed the present and future volume of the health care services provided in the proposals. Schedule three of the application projects the present and future volume of services remaining the same, however it was mentioned, that if there is more utilization of services this could potentially change the volume. The Board and the Review Committee reviewed and discussed Schedule 4 from the application which provides revenue and expense detail for both facilities. It was mentioned that consolidating physician offices is beneficial to patients.

The Review Committee discussed the number of members in the SOD GHIP and the number of members that reside in New Castle County. The information below provides statistical data from a State Employee Benefits Committee (SEBC) Meeting.

- The number of non-Medicare members in the GHIP o 109.688 in FY17
- The number of non-Medicare members who live in NCC o 50,350 in FY17
- The number of non-Medicare members who had lab or radiology services at a CCHS outpatient lab or radiology location and the total number of visits.
 - o Radiology- 5709 patients, 9820 visits
 - o Lab- 4652 patients, 9857 visits o

Physician- 9526 patients, 22688 visits

The average costs for the SOD GHIP non-Medicare members for lab services at freestanding sites is \$70 vs hospital is \$154. The average costs for the SOD GHIP non-Medicare members for radiology services at freestanding sites is \$453 vs hospital is \$1,249. This data is based on current claims and may/may not change if the data is ran on July 1, 2018.

Action

There was a motion to vote on criterion VI. There was a voice vote, with five voting in favor, four opposing, and no abstentions. Motion carried.

Criterion VII: <u>The anticipated effect of the proposal on the quality of health care.</u>
Christiana Care is certified by Medicare and Medicaid. They are also accredited by the Joint Commission on Accreditation of Healthcare Organizations. Both proposals will offer improvement in the delivery of services and promote a continuum of care.

Action

There was a motion to vote on criterion VII. There was a voice vote, with nine voting in favor, no abstentions, no opposing. Motion carried.

Other Review Considerations were discussed in reference to the proposal promoting quality of care and a continuum of care. Christiana Care asserts that both proposals with improve the delivery of services by consolidating physician offices into one building. The alternatives evaluated were as follows:

- Do nothing, which would leave their current patients in an aging and inadequate facility.
- Renovate the building only, which would not be efficient given the current empty space in the already owned building and the leased buildings nearby.
- Consolidate nearby practices and fill the empty space in the owned building, which provides improved clinical outcomes and patient experience. Ultimately, Christiana Care

decided this approach would ensure the best quality of care for their patients during and after renovations.

Both proposals will employ energy savings features and will be compliant with the Americans Disabilities Act.

Conclusion

The Review Committee agrees that both proposals improve the health care delivery system by providing patients convenient access to care through the consolidation of the physician practices into one building; however, the increase to the cost of health care charges to the SOD GHIP is a concern. The Review Committee unanimously recommends that Christiana Care consider renegotiating its provider contracts in an effort to reduce costs for lab and radiology services to be more in line with costs at freestanding facilities in order to be competitive in the marketplace.

Joint Statement for the Record

Carolyn Morris read a joint statement for the record on behalf of the State Employees Benefits Office and the Department of Health and Socials Services addressing both Christiana Care proposals. The statement read as follows:

Below is a joint statement to be submitted for the record at the January 25, 2018 Delaware Health Resources Board by the State Employees Benefits Office and the Department of Health and Social Services through their respective representatives on the Delaware Health Resources Board regarding the pending proposal from Christiana Care to Consolidate and Renovate Facilities to Accommodate Physician and Ancillary Services at two locations.

Recent revisions to the HRB review criteria and the Health Resources Management Plan were made to promote the goals of improving quality and care experience, improving population health, and lowering the growth of per capita health costs. The revised criteria were written specifically to promote the goals of the State Health Improvement Plan. In our view, the proposal before the HRB today and referenced above does not meet important principles and criteria for reviewing proposals.

Costs Highly Likely to Increase for the State and Its Employees

The State Employee Benefits Office has provided detailed data to the Health Resources Board which indicates that the costs for laboratory and imaging services will increase to the Group Health Insurance Plan (GHIP) as a result of this proposed service consolidation relative to charges for lab and imaging services in freestanding facilities in Delaware. Data submitted by the GHIP shows that the average costs to the GHIP for hospital affiliated labs and imaging services are more than twice the costs of services performed at freestanding facilities. There is a very high probability that the costs paid by both the state employee health plans and state employees would be higher after this consolidation of services takes place. Christiana Care has provided no data to rebut the data submitted by the GHIP, nor provided any assurances that they would review their fee schedule to make sure it is competitive with free standing facilities.

The proposal does not appear to satisfy at least two of the statutory criteria. Criteria three--the availability of less costly or more effective alternatives to the proposal—is indicated by the

availability of competitors, as there are less costly imaging and laboratory services and settings available than those in this proposal. There are other providers in the market for imaging and laboratory services besides hospital-affiliated facilities. Similarly, criteria six, which is the impact of the proposal on charges and costs, indicates that the effect of the proposal on charges and costs would be to increase them, while we have no data from any source which indicates that quality would improve or there would be offsetting cost savings to the GHIP and its enrollees.

These two proposals highlight the urgent need to change the way care is paid for in Delaware. Instead of paying for volume and paying for fragments of care and services, which reward more testing, more visits, and more procedures, we must begin to pay for value and better health outcomes. In order to pay for value, we need more transparency on the quality and cost of care.

A Vision for a Value-based Delaware Way

A value-based approach would instead pay physicians and health systems for caring for the whole patient through the entire course of their illness or injury, as well as to partner with the patient on preventive care. A value-based payment approach would mean that any efficiencies generated by co-locating services would be shared with purchasers and patients in the form of lower total bills. For a patient with a chronic condition, it should mean any cost-sharing is lower or even waived if they need regular lab tests to monitor a chronic condition.

While we appreciate the convenience for patients, under the current "fee for service" delivery system, it appears clear to the state that these proposals will increase costs for the state and its employees. Additionally, we have not seen any evidence of any greatly improved quality via this model, which could provide an off-setting factor when paired with the increased costs. Based on all the data presented and using the Health Resources Management Plan adopted in 2017 as our mandate, we will vote no on the proposal as submitted to the HRB in their current form.

Action

There was a motion to approve Christiana Care's applications submitted to renovate and consolidate their PMRI and HCCC facilities and accept the Review Committee's recommendation that Christiana Care consider renegotiating its provider contracts in an effort to reduce costs for lab and radiology services to be more in line with costs at freestanding facilities in order to be competitive in the marketplace. There was a voice vote, with seven voting in favor, two opposing, and no abstentions. Motion carried.

Certificate of Public Review Application Presentation

Meadowwood's application to expand their behavioral health facility by seven beds was deemed complete on January 2, 2018. The capital expenditure is \$200,000. There was no request for a public hearing. The application will have a 90-day review period (April 9, 2018 deadline). Review Committee meetings held in February or March. The Board should vote on the application at the March 22, 2018 HRB meeting. Representatives from Meadowwood provided their proposal to the Board. Meadowwood opened as a children's inpatient facility in 1987. The facility was purchased by Acadia Healthcare in 2011, after the Federal Trade Commission Divestiture requirement to prevent monopoly in Delaware. Meadowwood is part of Acadia Healthcare network of 576 addition and behavioral health facilities in the U.S., United Kingdom and Puerto Rico. Meadowwood is currently licensed for 93 beds and sits on 10 acres of property.

They have over 300 staff. Meadowwood provides inpatient and partial hospitalization treatment programs serving adult, adolescent and geriatric populations. They also provide psychiatric, substance use disorders and dual diagnosis services.

The staff includes:
Board certified and double board certified psychiatrist
Registered nurses
Licensed clinical socials workers
Other experienced and trained mental health professionals

Meadowwood collaborates with residency programs, nursing schools and pharmacy programs. Meadowwood is currently at capacity. They are requesting to expand their facility by seven beds (three available immediately and four to be constructed). The expansion will be minimally disruptive. It is a renovation of an existing administrative space. The goal of the expansion is to create better flexibility for three different units: adult psychiatric, substance abuse-co-occurring and adolescent. It was stated that in early 2017, they added eight beds. Meadowwood feels that this expansion is sufficient due to the substance abuse need as of right now. The average length of stay in the facility is seven days. Meadowwood offers a discharge program that involves treatment planning. The expansion also provides the opportunity to explore other lines of business if the immediate community needs should unexpectantly downtrend.

Upcoming Items Before the Board

• MuveHealth LLC Notice of Intent

MuveHealth LLC submitted a Notice of Intent on December 13, 2017 to construct a single specialty ambulatory surgery center in Middletown, DE. The capital expenditure is \$3.5 million. The ambulatory surgery center will have two operating rooms. The surgery center is a fully integrated Total Joint Replacement Program, led in joint venture partnership with Fellowship Trained Delaware Orthopedic Surgeons specializing in Total Joint Replacement. The anticipation filing date of the application is January-February 2018.

New Castle Health and Rehabilitation Center is a nursing home that is currently licensed to and operated by Oak HRC New Castle, LLC, a non-profit corporation, as lessee of the assets from Lessor New Castle RE1 LLC, a for-profit corporation. By Stipulation and Order of September 25, 2017, entered in the Court of Common Pleas fort Montgomery County, PA, a Receiver was appointed to oversee the licensee's operations of the nursing home and to work with the licensee and Lessor to transfer the licensee and operations to a New Operator/Lessee. Saber Healthcare Holdings, LLC (Saber), an Ohio for-profit limited liability company, has entered into an agreement with the Lessor, the Receiver and the current licensee to transfer the license for and operations of the nursing home to a new LLC for-profit entity to be created by Saber. The capital expenditure is \$0.00. The anticipate date of filing of the application is April 1, 2018.

Public Comment

There were no public comments

Next Meeting

February 15, 2018

<u>Adjourn</u>

The meeting adjourned at 4:10 p.m.

Guests Attended

Dorinda Dove The Birth Center
Kathleen McCarthy The Birth Center
Mario Voli Christiana Care
Lauren Becher Christiana Care
John McKenna Rockford Center

Jeffrey Lord First State Orthopaedics

Debbie Hamilton HGP